

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2017-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO QUESTION 4(a) OF CHAIRMAN'S INFORMATION REQUEST NO. 5**
(November 7, 2016)

The Postal Service hereby files its responses to the above-captioned question from Chairman's Information Request (CHIR) No. 5, issued on October 27, 2016. A partial response to question 4(a) was filed on November 4. Today's filing responds to additional subparts of that question. Each question is stated verbatim and followed by the response. Responses to the remainder of question 4(a), and to questions 3 and 4(e) and (f) are still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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4. Please see attached Excel file "Special Serv. CHIR Attachment.xlsx" and refer to the Excel files submitted by the Postal Service in Notice of the United States Postal Service of Filing of Revised Version of USPS-LR-R2017-1/5 – Errata, October 17, 2016, titled "CAPCALC-SpecServ-R2017-1 Rev 10-17.xlsx," "4Q15 to 3Q16 Special Services.xlsx," "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx." The Excel file "Special Serv. CHIR Attachment.xlsx" contains calculations for Special Services and seeks clarification of cells identified below.
- a. For the following products, the price calculated by dividing quarterly revenue by quarterly transaction volume does not match the prices established in Docket No. R2015-4. See Docket No. R2015-4 Notice, MCS Attachment A, Parts I and II. Please explain why the revenues and transactions for these products do not match the published prices.²
- i. Tab F-1 "Certified Mail," row 10 "With Restricted Delivery and/or Adult Signature" in Excel file "1Q16 Special Services.xlsx."
 - ii. Tab F-5 "Money Orders," row 16 "Inquiry Fee" in Excel files "2Q16 Special Services.xlsx" and "3Q16 Special Services.xlsx."
 - iii. Tab F-6 "Registered Mail," rows 42 and 53 "Registered COD" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
 - iv. Tab F-9 "Stamped Envelopes," row 9 "Plain Stamped Envelopes Size 6 ¾" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
 - v. Tab F-9 "Stamped Envelopes," row 10 "Plain Stamped Envelopes Size 10" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
 - vi. Tab F-9 "Stamped Envelopes," row 12 "Plain Stamped Envelopes Size 6 ¾, Box of 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
 - vii. Tab F-9 "Stamped Envelopes," row 13 "Plain Stamped Envelopes Size 10, Box of 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."

² The questions that follow reference the Excel files submitted by the Postal Service. Attached to this CHIR is the Excel file "Special Serv. CHIR Attachment.xlsx." In tab "Prices Out of Range," the questions for this subpart are visually represented.

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- viii. Tab F-9 "Stamped Envelopes," row 37 "Pressure Sensitive Adhesive, 500" plus row 42 "Pressure Sensitive Adhesive, 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- ix. Tab F-9 "Stamped Envelopes," row 38 "Windows, 500" plus row 48 "Windows, 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- x. Tab F-11 "USPS Tracking," row 11 "Standard Mail Electronic" in Excel file "4Q16 Special Services.xlsx" and row 8 in Excel file "1Q16 Special Services.xlsx."
- xi. Tab F-12 "Signature Confirmation," row 8 "Manual/Retail" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- xii. Tab G-3 "Certificates of Mailing," row 42 "Bulk" in Excel files "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."
- xiii. Tab H-8 "Customized Postage," row 8 "Annual Participation Fee (up to two printing facilities)" in Excel files "4Q15 Special Services.xlsx" and "2Q16 Special Services.xlsx."
- xiv. Tab K-1 "Address Management Service," row 23 "Address Element Correction (AEC) II" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- xv. Tab K-1 "Address Management Service," row 84 "Computerized Delivery Sequence (CDS)" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."
- xvi. Tab K-1 "Address Management Service," row 112 "CASS (coding Accuracy Support System After July 31st (for current cycle))" in Excel files "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- xvii. Tab K-1 "Address Management Service," row 121 "MASS (Multiline Accuracy Support System) MASS Manufacturers (MLOCR) After July 31st (current cycle)" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."

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- xviii. Tab K-1 "Address Management Service," row 125 "MASS (Multiline Accuracy Support System) MASS End-Users (MLOCR) After July 31st (current cycle)" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."
- xix. Tab K-1 "Address Management Service," row 129 "MASS (Multiline Accuracy Support System) MASS Manufacturers (Encoder) After July 31st (current cycle)" in Excel file "3Q16 Special Services.xlsx."
- xx. Tab K-1 "Address Management Service," row 133 "MASS (Multiline Accuracy Support System) MASS End-Users (Encoder) After July 31st (current cycle)" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."
- xxi. Tab K-1 "Address Management Service," row 166 "NCOALINK (National Change of Address) Product One Site Only" in Excel file "2Q16 Special Services.xlsx."
- xxii. Tab K-1 "Address Management Service," row 168 "NCOALINK (National Change of Address) Product Each Additional Site" in Excel file "3Q16 Special Services.xlsx."
- xxiii. Tab K-1 "Address Management Service," row 169 "NCOALINK (National Change of Address) Product ANKLink Service Option (per year) First Site" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- xxiv. Tab K-1 "Address Management Service," row 170 "NCOALINK (National Change of Address) Product ANKLink Service Option (per year) Each Additional Site" in Excel file "1Q16 Special Services.xlsx," and row 171 in Excel file "3Q16 Special Services.xlsx."
- xxv. Tab K-1 "Address Management Service," row 173 "NCOALINK (National Change of Address) Product One Site (Each Site for MPE)" in Excel file "1Q16 Special Services.xlsx."
- xxvi. Tab K-1 "Address Management Service," row 174 "NCOALINK (National Change of Address) Product Each Additional Site (End User Only)" in Excel file "1Q16 Special Services.xlsx."
- xxvii. Tab K-1 "Address Management Service," row 182 "99 Percent Accuracy Method" in Excel file "2Q16 Special Services.xlsx."

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- b. Please explain why the format of price structure in the billing determinants does not match the format of the price structure in the MCS for each of the following offerings. If the billing determinants and the MCS contain different information, please explain.
- i. Collect on Delivery – Bulk
 - ii. Insurance – MRS
 - iii. Insurance – Bulk
 - iv. Registered Mail – Bulk
 - v. Registered Mail – MRS
 - vi. Premium Stamped Cards
 - vii. Stamp Fulfillment Services – International
 - viii. Standard Mail Weighted Fee
 - ix. Change of Address Customer Notification
- c. Please either reconcile or provide an explanation for the difference in revenues expressed by the summation of the quarterly billing determinants and the “Price and Revenue Increase Calculations” in Excel file “CAPCALC-SpecServ-R2017-1 Rev 10-17.xlsx” for the following products below.
- i. Tab F-2 “Collect on Delivery” – cell C34 does not match cell J27.
 - ii. Tab F-3 “Insurance” – cell C74 does not match cell I69.
 - iii. Tab F-4 “PO Boxes” – cell J27 does not match cell N141.
 - iv. Tab F-6 “Registered Mail” – cell C55 does not match cell I46.
- d. Please refer to tab F-9 “Stamped Envelopes” in Excel files “4Q15 Special Services.xlsx,” “1Q16 Special Services.xlsx,” “2Q16 Special Services.xlsx,” and “3Q16 Special Services.xlsx.”³
- i. Please refer to the first three quarterly billing determinant files, containing FY 2015 quarter 4 and FY 2016 quarters 1-2. Please

³ Please also refer to tab “Stamped Envelopes Issue” in Excel file “Special Serv. CHIR Attachment.xlsx” for further visual aid.

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confirm that the volumes and revenues of Plain Stamped Envelopes Size 6 ¾ and Size 10 (rows 9 and 10) and the volumes and revenues of Plain Stamped Envelopes Size 6 ¾, Box of 500 and Size 10, Box of 500 (rows 12 and 13) are identical across all three quarters. If not confirmed, please explain.

- ii. Please confirm that the FY 2016 quarter 3 volumes in cells C9:C13 are identical to the volumes in FY 2015 quarter 4, FY 2016 quarter 1, and FY 2017 quarter 2. If not confirmed, please explain.
- iii. If the previous two questions are confirmed, please explain why there are identical volumes and revenues in three or four consecutive quarters, respectively.
- e. Please see attached Excel file "Special Serv. CHIR Attachment.xlsx," tab "NCOA Link Issue." Please confirm that the values from billing determinants tab "K-1 Address Management Services," "NCOALink (National Change of Address) Product," row 159 "Initial Interface Developer (first year fee)," and row 160 "Interface Developer (per each one year extension)" were transposed. If not confirmed, please explain.
- f. If the responses to parts a-e affect the price cap calculation, please file revised workpapers reflecting such changes.

RESPONSE:

- a. In some instances, the discrepancy between the average revenue per piece and the published price warranted one or more corrections to the quarterly billing determinants previously filed in this case. The amended materials will be filed as a revision to USPS-LR-R2017-1/5 when the remaining responses to Question 4 are completed.
 - i. The changes made in Docket No. R2015-4 for certain Special Services (including Certified Mail with Restricted Delivery and/or Adult Signature, and Registered COD) created complexity on the backend in reporting product and service revenue. For example, a First-Class Mail letter weighing two ounces that uses Return

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Receipt along with Certified Mail Restricted Delivery and/or Adult Signature would have four different pricing components: (1) postage for the one-ounce First-Class Mail letter; (2) postage for the additional ounce; (3) the fee for Certified Mail with Restricted Delivery and/or Adult Signature; and (4) the fee for Return Receipt. The revenue reporting issues that the Commission identified arise from the process of dividing the combined revenue among the individual pricing components.

- ii. Response was provided on November 4, 2016.
- iii. See response to (i), above.
- iv.-x. Responses were provided on November 4, 2016.
- xi. There was a revenue allocation issue with respect to Signature Confirmation that has been identified, and which will be corrected before the final RPW is released and used for the FY 2016 Annual Compliance Report. This issue does not affect the price cap calculations in the Special Services workpapers, which use volumes rather than revenue.
- xii.-xv. Responses were provided on November 4, 2016.
- xvi.-xx. These responses are still being prepared.
- xxi.-xxvii. The discrepancy between the published prices and the average unit revenues for these NCOA Link categories is the result of the proration of these fees. See MCS section 1515.2, note 11. Note that the billing determinants do not report the revenue until the

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payment is received. As a result, in instances in which a payment was billed in a different quarter from when it was received, the prorated amount may appear inconsistent with the published price for the quarter in which the payment is reported.

- b. Response was provided on November 4, 2016.
- c. Response was provided on November 4, 2016.
- d. Response was provided on November 4, 2016.
- e. This response is still being prepared.
- f. This response is still being prepared.